

Written Testimony by Rev. Donald Boutte to
U.S. House of Representatives - Committee on the Budget
Thursday, August 2, 2007
10:00am
210 Cannon House Office Building
"Hurricanes Katrina and Rita: What will be the long-term effect on
the federal budget?"

INTRODUCTION

Let me first say thank you to this distinguished committee for the opportunity to participate in the hearing this morning. I want to also thank the National Council of Churches for asking me to speak on their behalf at this hearing today.

My name is Rev. Don Boutte and I'm pastor of the St. John Baptist Church located in the Carrollton-River Bend area of New Orleans. I have also been working with an important initiative called Churches Supporting Churches. This group, which the National Council of Churches helped organize in its initial stages, has partnered 36 local churches with 360 churches nationally – a ten to one ratio – to assist in the restarting, restoring and rebuilding of the churches to participate in the redevelopment of

their community. I'm here representing the National Council of Churches' Special Commission for the Just Rebuilding of the Gulf Coast, which was established in September 2005 shortly after Hurricanes Katrina and Rita ravaged the Gulf Coast of the United States.

There is obviously a lot that can be said about the impact of Hurricanes Katrina and Rita and its lasting effects on the Gulf Coast region. Almost two years later, people are still struggling to rebuild their lives, homes and communities and more than 200,000 residents have yet to return to the region.

I would like to focus my discussion today on one aspect of the Gulf Coast recovery that will have a long-term effect on the federal budget—the tremendous housing needs for my city. Housing is the top issue to local churches because many of their congregants are still in the diaspora and everything else revolves around the housing need.

I was born and raised in New Orleans. Like many of my colleagues, my home and my church were destroyed. Although

it's been two years and my church has been rebuilt thanks in part to a grant from the National Council of Churches' Eco-Justice program, half of my congregants are still displaced throughout the country. What has precluded their return is the availability of quality affordable housing and some of the recent barriers that hinder securing a decent place to live – new income criteria for rental applications, rigid credit history requirements, escalating insurance costs, and increased property taxes.

As a consultant to PolicyLink, a national research and action institute advancing economic and social equity, I'm familiar with the dire housing needs from both a personal and professional perspective. Initially invited by Governor Blanco, I've been working with PolicyLink over the past two years to advance equitable development in Louisiana, particularly in the area of housing policy advocacy. We've helped to form a statewide housing coalition in Louisiana, with over 40 member organizations.

HOUSING MARKET

My recommendations to this committee are best described by sharing what I know of the New Orleans housing market pre-Katrina. For at least the past two decades, tourism has been the basic economic engine for the city of New Orleans. Although largely a low-skilled, low-wage economy, the city was able to provide affordable housing in a fragile housing market. This situation created a disproportionate number of renters, where approximately 57% of New Orleanians were renters prior to the storm. In order to afford a two-bedroom market rate apartment without any housing assistance, someone had to earn \$10/hour. Many residents earned much less than \$8/hour.

Many program efforts to create homeownership and to change the owner/renter ratios were unsuccessful because the low-wage economy precluded potential homebuyers from meeting the mortgage income criteria. Therefore, maintaining affordable housing was critical to the health of the labor market and essential for the workforce.

Hurricane Katrina radically changed this fragile housing market in New Orleans. There were over 51,000 rental units lost. This

represents half of the occupied rental units and of this amount 89% were rental units affordable to a family of four earning less than 80% of the area median income (\$42,000/year). The depletion of the housing inventory increased rents exponentially. Between 2005 and 2006 rents increased 70%.¹ Today, a two-bedroom market-rate apartment is \$978/month. To afford this, a minimum wage earner must work at least 146 hours/week, representing about 4 full-time jobs. This abrupt increase in rents caused a paradigm shift in those seeking affordable housing. Pre-Katrina, those in affordable housing were generally:

- seniors on fixed income,
- persons with disabilities who received SSI, and
- the very low-wage earner.

Today, entry level school teachers, new police officers, construction workers, and even some clergy are in serious need of affordable housing. These new groups are looking affordable rentals because they are paying more than 30% of their household income for housing. The increased demand for affordable housing and the depletion of the housing stock has

¹ Reported by the Times-Picayune on October 2006.

adversely impacted the most vulnerable citizens and marginalized our blue collar workers. Although only half of the population is back in the city, the homeless population has increased from 6,000 to more than 12,000.

The supplemental Community Development Block Grant funds have been a tremendous asset in the recovery. Notwithstanding, the magnitude of the devastation necessitates additional resources. Of the \$9.2 billion in funding, \$7.5 billion was dedicated to homeowners and it is projected that this amount will not be sufficient to meet the demand to replace the owner occupied stock. The Small Landlord Program received \$829 million and \$837 million was dedicated to multi-family development. Projections from tax credits from the multi-family projects estimate that only 18% of the rental units damaged or destroyed will be replaced by the projects. Thus, even after the current funds are exhausted, there will continue to be insufficient housing stock necessary to meet the current housing demand. Again, only half of the pre-Katrina population is back in New Orleans.

Moreover, beside an insufficient housing inventory, there are other barriers that citizens seeking affordable housing face. For instance, in order to qualify for an apartment at \$900/month some apartment managers now require income at four times the monthly rent amount. Many citizens do not earn \$3,600/month and sometime even available property is not accessible to a large segment of the workforce. Managers are also enforcing more rigid credit history requirements.

Louisiana lost 18,000 businesses during the storm. Much of the workforce was affected and, as a result, many working people have weak FICO scores. For some, a recent rental audit revealed that discrimination has spiked during this recovery. Other barriers to securing affordable housing are the cost of insurance that is passed on to renters and, most recently, the reassessment of property values that increased property taxes.

Unless additional resources are provided, the recovery of New Orleans will come to a standstill. Consequently, the challenge to replace the depleted housing stock will worsen. The result will be slow economic recovery, increased homelessness, dilapidated

and blighted property creating safety and health risk to the citizens of New Orleans who have chosen to return.

The Special Commission also released a report card in February that identified and evaluated the governing agencies that are responsible for the rebuilding of the Gulf Coast in the following areas: timely response, administering and distributing funds; practicing environmental justice, addressing the healthcare shortage, improving schools, responding to housing demands, and insurance. Grades were assigned to the federal government, the states of Louisiana and Mississippi, and the City of New Orleans. There is still a great need for improvement in all areas.

Another report will be released later this month about the resources invested by the faith community in the efforts to rebuild the Gulf Coast. We understand the long-term impacts these disasters have had on our communities and we hope that the federal government will be steadfast in finding ways to allocate resources to the region so that the Gulf Coast will be rebuilt with justice.

Thank you for your time.